The BIPARTISAN RETIREMENT SECURITY ACT

A Comprehensive, Bipartisan Plan to Save Social Security

Congressmen Jim Kolbe (R-AZ) and Allen Boyd (D-FL)

LEGISLATION HIGHLIGHTS

- Has been scored by the Social Security Administration actuaries as restoring solvency of the trust fund for 75 years and beyond, and has been scored by the Congressional Budget Office as restoring solvency over 100 years, and putting the Social Security system on a fiscally sustainable course
- Has bipartisan support
- Meets the criteria for reform established by the President's Commission to Strengthen Social Security
- Allows workers to redirect 3% of their first $10,000 of earnings and 2% of their remaining taxable earnings ($90,000 in 2005) into their individual accounts
- Supplements individual accounts for low-income workers – the government would match 50% of the individual account contributions for low-income workers, (phased out for workers with incomes over $30,000 a year)
- Uses the Thrift Savings Plan - Plus model for administering individual accounts. Once a worker's account balance reaches $7,500, they would have the <u>option</u> to choose a private investment institution
- Does not increase payroll tax rates; reduces pressures on general revenues
- Preserves existing benefits for current and near-retirees
- Makes changes in the benefit structure which will lift more workers out of poverty than current law by increasing the safety net for low-income workers. Adds a higher minimum benefit and makes the Social Security benefit formula more progressive for low and moderate income workers. Makes changes to reflect increases in life expectancy
- Rewards work by eliminating the earnings test, counting all years of earnings in calculating benefits and improving the actuarial adjustment for early/delayed retirement
- Drastically lowers Social Security's cash shortfalls over the next 75 years from $22 trillion to $3 trillion, reducing budgetary pressure which would require increased taxes, decreased benefits, or reductions in other government priorities
- Does not rely on accounting gimmickry or unspecified general revenue transfers and honestly accounts for transition costs

THE NEED FOR SOCIAL SECURITY REFORM

- In 2008, outlays from Social Security Trust Fund begin to increase faster than incoming revenue.

- In 2018, the incoming revenue to the Social Security Trust Fund is less than the promised benefits to retirees, so the Treasury Bills “in” the Trust Fund will have to be redeemed, i.e., more government borrowing if nothing else is done.

- We will need to make a lump sum deposit of $3.5 trillion today, earning interest over 75 years to pay promised benefits under current law. Under the Kolbe-Boyd plan, this number is reduced to $1 trillion.

- In 2042, the Social Security Trust Fund runs out of T-bills and the government must increase the amount of money needed for Social Security.

- If nothing is done, workers can expect a 30% reduction in benefits or major tax increases.

- Every year we wait to reform Social Security costs an estimated $600 billion.